

**SELL**

TP: Rs 534 | ▼ 27%

**THE RAMCO CEMENTS**

Cement

08 February 2023

## Performance driven by new capacity addition

- Q3 revenue rose 29% YoY as utilisation improved to 69%; realisation gain of 9% came as a positive surprise
- Cost inflation continues to impact performance; fuel burden unlike to moderate and logistics cost an added worry
- Valuations stretched given that we expect ROCE/ROE of sub-10% through to FY25; maintain SELL, TP Rs 534

Milind Raginwar | Yash Thakur  
 research@bobcaps.in

**Topline growth drives performance:** TRCL's Q3FY23 revenue rose 29% YoY to Rs 20bn aided by 19% volume growth which was contributed by capacity addition and a push in the eastern region that contributes ~25% of the company's volumes. Capacity utilisation improved to 69%, and management expects +80% levels in Q4. In a positive surprise, realisations grew 9% YoY, helping TRCL partially offset cost inflation. Management has guided for volume growth of 30% in FY23, followed by a healthy double-digit uptick in FY24 as new capacity ramps up.

**Cost inflation continues:** Blended fuel cost inched up to Rs 2.43/kcal. The usage of pet coke in Q3 was at ~59% of the fuel mix, with procurement cost at US\$ 191/t. The railways' 15% busy season surcharge also impacted logistics cost (negative impact of Rs 50/t on EBITDA). Promotional expenses led to a 14% YoY rise in other expenditure to Rs 2.4bn. However, with strong realisation gains, EBITDA increased 23% YoY to Rs 2.8bn.

**Capacity expansion underway:** TRCL's Kurnool integrated unit began commercial production in Q2FY23 (with a 5MW WHRS) and achieved clinker capacity utilisation of 54% in Q3. Land acquisition for the Karnataka greenfield plant has not yet started as government approval is awaited. TRCL is also awaiting notification from the government for the Tamil Nadu limestone auctions.

**Balance sheet remains stressed:** Net debt in Q3 was at Rs 45.6bn as compared to Rs 47.4bn in Q2FY23, which includes an interest-free loan of Rs 1.9bn. The average cost of borrowing rose to 7.1% from 5.4% in YoY due to repo rates hikes.

**Maintain SELL:** Given the positive surprise in Q3, we raise our FY23 EPS by 38% but leave FY24/FY25 forecasts largely unchanged. At current valuations of 12x FY25E EV/EBITDA, TRCL looks expensive given its high gearing, weak margin profile due to a presence in oversupplied regions, and single-digit return ratios. We maintain SELL and continue to value the stock at 10x FY25E EV/EBITDA for an unchanged TP of Rs 534. Our target implies a replacement cost of Rs 7.7bn/mt (~US\$ 100/t), a 10% premium to the industry average (for details, see our [initiation report](#)).

## Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	TRCL IN/Rs 730
Market cap	US\$ 2.1bn
Free float	58%
3M ADV	US\$ 4.5mn
52wk high/low	Rs 898/Rs 576
Promoter/FPI/DII	42%/7%/32%

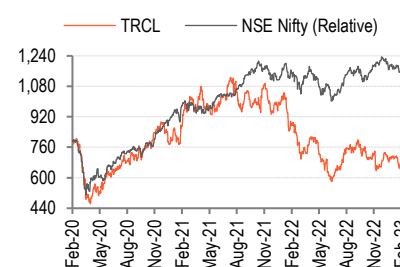
Source: NSE | Price as of 8 Feb 2023

## Key financials

Y/E 31 Mar	FY22A	FY23E	FY24E
Total revenue (Rs mn)	59,567	74,694	86,276
EBITDA (Rs mn)	12,606	10,399	12,711
Adj. net profit (Rs mn)	8,928	2,907	4,102
Adj. EPS (Rs)	37.8	12.3	17.4
Consensus EPS (Rs)	37.8	14.1	28.3
Adj. ROAE (%)	14.7	4.4	6.0
Adj. P/E (x)	19.3	59.4	42.1
EV/EBITDA (x)	16.6	20.6	16.9
Adj. EPS growth (%)	17.1	(67.5)	41.1

Source: Company, Bloomberg, BOBCAPS Research

## Stock performance



Source: NSE



## Earnings call highlights

### Volumes and Realisations

- Management has guided for volume growth of 30% in FY23, followed by a healthy double-digit uptick in FY24 as new capacity ramps up.
- Capacity utilisation was at 69% in Q3FY23, and management expects +80% levels in Q4.

### Margins

- TRCL expects average coal and fuel prices in Q4FY23 to be at par with those in Q3.
- Revenue share of premium cement stood at 26% for the quarter against 23% in Q3FY22. Trade share was at 63%.
- Higher other expenditure was attributed to a rise in advertisement expenses. Finance cost and depreciation also increased due to the commissioning of units in JPM Line III (state Tamilnadu) and Kolimigundla (Andhra Pradesh).
- TRCL supplies energy generated via windmills and an application to convert the same into captive consumption is pending with Tamil Nadu Electricity Board (TNEB). On approval, the company expects power cost to reduce by Rs 50-80/tn.

### Capex and Capacity

- In Q3FY23, TRCL incurred capex of Rs 3.9bn. Guidance stands at Rs 7.3bn for H2FY23 and Rs 8.9bn for FY24.
- The Kurnool integrated unit commenced commercial production in Q2FY23 and achieved clinker capacity utilisation of 54% in Q3FY23. Further, 5MW of waste heat recovery system (WHRS) capacity was commissioned in Kurnool in Q3FY23, another 3MW is expected to come online in Feb'23, and the balance 4MW in May'23 (leading to an estimated Rs 80-100/tn reduction in power cost). The 18MW thermal power plant and railway siding are due to be commissioned in FY24.
- In terms of the dry mortar plant expansion in Tamil Nadu, one unit was commissioned in Dec'22 and another will follow in Feb'23. The remaining two units in Andhra Pradesh and Odisha are scheduled for commissioning in FY24. RR Nagar Line III (Tamilnadu) with clinker capacity of 1.44mtpa is due to come online before end-FY23.
- Land acquisition has not yet taken place for the Karnataka greenfield plant as government approval is awaited.
- TRCL is awaiting notification from the government for the Tamil Nadu limestone auctions.
- The company is currently transferring clinker from Ariyalur (Tamil Nadu) to RR Nagar (Tamilnadu) end-March, commissioning of the third line will lead to transport cost benefits which will accrue in FY24.

### Other key points

- Net debt in Q3 was down from Rs 47.4bn in Q2FY23 to Rs 45.6bn, which includes a short-term loan of Rs 564mn and an interest-free loan of Rs 1.9bn.
- The average cost of borrowing rose to 7.1% from 5.4% YoY due to the repo rate hikes totalling 250bps in FY23 YTD.
- No non-core assets were sold in Q3; management expects to sell land worth Rs 3bn-4bn in Q4FY24 which will aid working capital requirements.

**Fig 1 – Key metrics**

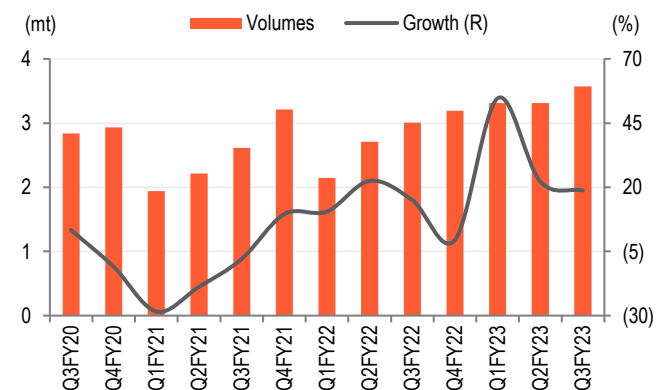
(Rs)	Q3FY23	Q3FY22	YoY (%)	Q2FY23	QoQ (%)
Volumes (mt)	3.57	3.01	18.7	3.31	7.8
Cement realisations (Rs/tn)	5,576	5,113	9.1	5,296	5.3
Operating costs (Rs/tn)	4,829	4,384	10.2	4,834	(0.1)
EBITDA (Rs/mt)	769	741	3.9	525	46.5

Source: Company, BOBCAPS Research

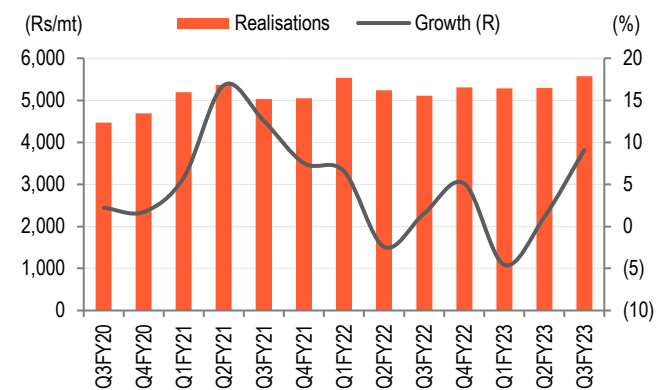
**Fig 2 – Quarterly performance**

(Rs mn)	Q3FY23	Q3FY22	YoY (%)	Q2FY23	QoQ (%)
<b>Net Sales</b>	<b>20,088</b>	<b>15,491</b>	<b>29.7</b>	<b>17,844</b>	<b>12.6</b>
<b>Expenditure</b>					
Change in stock	(654.2)	114.8		(102.5)	538.2
Raw material	3,435	2,461	39.6	2,800	22.7
Purchased products	0	0	0.0	0	0
Power & fuel	7,023	4,151	69.2	6,664	5.4
Freight	3,958	3,342	18.4	3,481	13.7
Employee costs	1,128	1,057	6.8	1,121	0.6
Other Expenses	2,352	2,057	14.3	2,042	15.1
Total Operating Expenses	17,241	13,182	30.8	16,006	7.7
<b>EBITDA</b>	<b>2,846</b>	<b>2,309</b>	<b>23.3</b>	<b>1,838</b>	<b>54.9</b>
EBITDA margin (%)	14.2	14.9	(73bps)	10.3	387bps
Other Income	93	68	37.0	88	5.5
Interest	608	253	140.5	551	10.4
Depreciation	1,359	992	37.0	1,216	11.8
PBT	973	1,132	(14.1)	160	507.2
Non-recurring items	0	0	0.0	0	-
PBT (after non recurring items)	973	1,132	(14.1)	160	507.2
Tax	299	306	(2.5)	46	556.0
Tax Rate (%)	31	27	363	28	228
Reported PAT	674	826	(18.3)	115	487.9
<b>Adjusted PAT</b>	<b>674</b>	<b>826</b>	<b>(18.3)</b>	<b>115</b>	<b>487.9</b>
NPM (%)	4.5	6.6	(205bps)	0.9	358bps
<b>Adjusted EPS (Rs)</b>	<b>2.9</b>	<b>3.5</b>	<b>(18.3)</b>	<b>0.5</b>	<b>487.9</b>

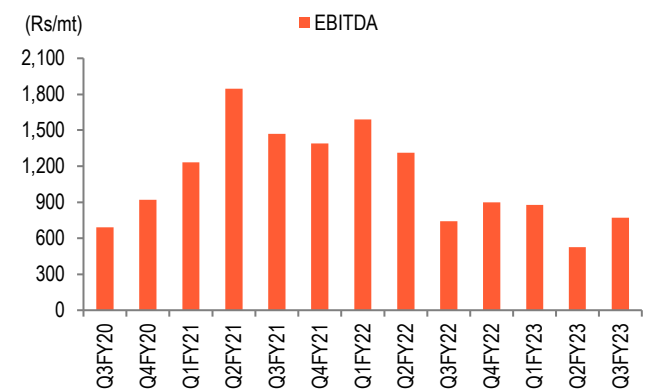
Source: Company, BOBCAPS Research

**Fig 3 – New capacities aided volume growth**

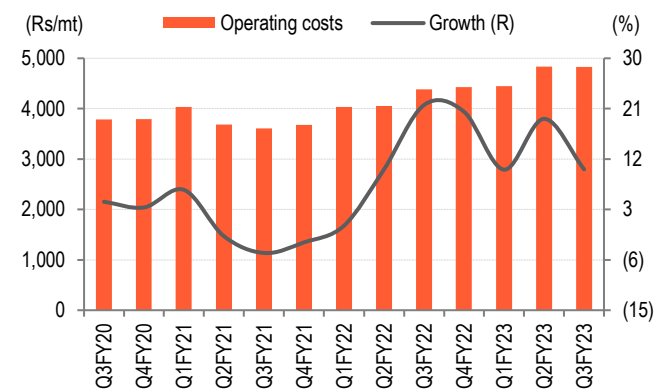
Source: Company, BOBCAPS Research

**Fig 4 – Realisation gains backed by healthy demand in key operating regions**

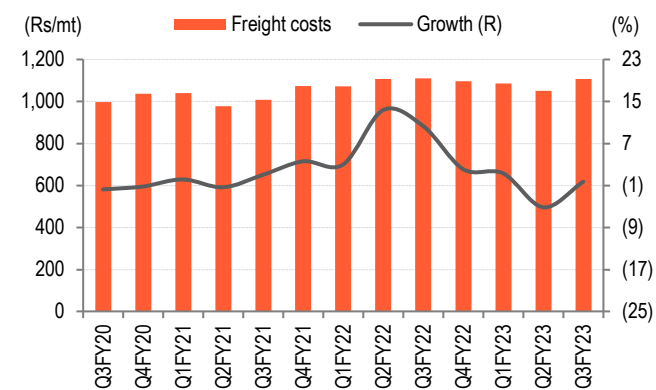
Source: Company, BOBCAPS Research

**Fig 5 – Steady recovery in EBITDA/mt**

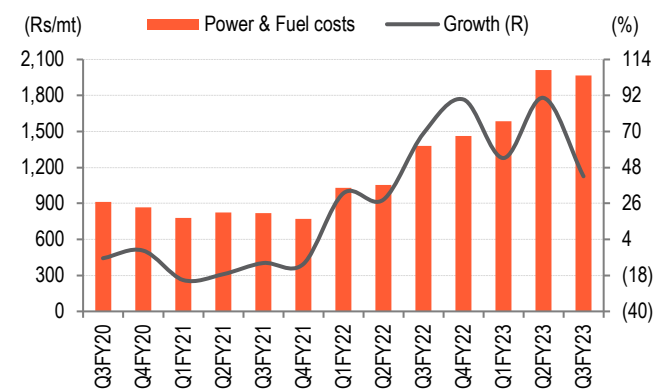
Source: Company, BOBCAPS Research

**Fig 6 – Cost inflation to stay elevated**

Source: Company, BOBCAPS Research

**Fig 7 – Fuel cost inflation may continue in Q4**

Source: Company, BOBCAPS Research

**Fig 8 – New regions and rail surcharge led to higher logistics cost**

Source: Company, BOBCAPS Research

## Valuation methodology

To fund its expansion plans, TRCL has piled on debt which we estimate at Rs 43bn as at end-FY23. The stress on the balance sheet is unlikely to recede in FY24/FY25 given the company's heavy debt-backed capex schedule. Enhanced working capital requirements amid fuel cost inflation only add to the pressure. We estimate an uncomfortably high debt/EBITDA ratio of 3.4x/3x in FY24/FY25. In our view, aggressive capex plans with a leveraged balance sheet will prove to be a double-edged sword if the business cycle fails to turn as expected.

Given the positive surprise in Q3FY23, we raise our FY23 EPS estimate by 38% but leave FY24/FY25 forecasts largely unchanged. We model for a revenue/EBITDA CAGR of 16%/9% over FY22-FY25, but a lower 12% PAT CAGR over the same period.

In our view, current valuations at 12x FY25E EV/EBITDA are expensive given the company's high gearing, weak margin profile due to a presence in oversupplied regions, and single-digit return ratios. We thus retain SELL and continue to value the stock at 10x FY25E EV/EBITDA for an unchanged TP of Rs 534. Our target implies a replacement cost of Rs 7.7bn/mt (~US\$ 100/t) – 10% premium to the industry average.

**Fig 9 – Revised estimates**

(Rs mn)	New			Old			Change (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	74,694	86,276	94,622	74,603	86,243	94,585	0.1	0.0	0.0
EBITDA	10,399	12,711	16,556	9,331	12,678	16,519	11.4	0.3	0.2
Adj PAT	2,907	4,102	6,105	2,106	4,077	6,077	38.0	0.6	0.5
Adj EPS	12.3	17.4	25.8	8.9	17.3	25.7	38.2	0.3	0.5

Source: BOBCAPS Research

**Fig 10 – Key assumptions**

Parameter	FY22	FY23E	FY24E	FY25E
Volumes (mt)	11.5	14.1	16.2	17.3
Realisations (Rs/mt)	5,137	5,189	5,240	5,398
Operating costs (Rs/mt)	4,084	4,552	4,545	4,525
EBITDA/mt (Rs)	1096	736	785	960

Source: Company, BOBCAPS Research

**Fig 11 – Valuation summary**

(Rs mn)	FY25E
Target EV/EBITDA (x)	10
EBITDA	16,556
Target EV	1,72,180
Total EV	1,72,180
Net debt	44,631
Target market capitalisation	1,27,549
Target price (Rs/sh)	534
Weighted average shares (mn)	236

Source: BOBCAPS Research

Fig 12 – Peer comparison

Ticker	Rating	TP (Rs)	EV/EBITDA (x)			EV/tonne (US\$)			ROE (%)			ROCE (%)		
			FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
TRCL IN	SELL	534	22.4	16.5	12.8	120	120	122	3.2	6.0	8.5	4.5	6.6	8.7
DALBHARA IN	HOLD	1,835	17.0	14.1	11.1	129	136	133	4.4	7.0	10.4	5.3	7.6	10.4
JKCE IN	BUY	3,371	15.9	13.1	10.0	198	194	189	17.0	17.8	19.2	16.2	17.0	19.1

Source: BOBCAPS Research

## Key risks

Key upside risks to our estimates are:

- Strong cement prices in key southern markets may offset the weak earnings profile in the eastern region, leading to above-estimated earnings.
- Faster-than-expected softening of international coal prices may improve the company's overall performance.

## Sector recommendation snapshot

Company	Ticker	Market Cap (US\$ bn)	Price (Rs)	Target (Rs)	Rating
ACC	ACC IN	4.5	1,974	2,090	HOLD
Ambuja Cement	ACEM IN	9.3	385	387	HOLD
Dalmia Bharat	DALBHARA IN	4.5	1,908	1,835	HOLD
JK Cement	JKCE IN	2.6	2,753	3,371	BUY
JK Lakshmi Cement	JKLC IN	1.1	758	551	SELL
Orient Cement	ORCMNT IN	0.3	124	140	HOLD
Shree Cement	SRCM IN	10.6	24,240	24,656	HOLD
Star Cement	STRCEM IN	0.6	114	138	BUY
The Ramco Cements	TRCL IN	2.1	730	534	SELL
Ultratech Cement	UTCEN IN	25.4	7,250	8,310	BUY

Source: BOBCAPS Research, NSE | Price as of 8 Feb 2023

## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23E	FY24E	FY25E
<b>Total revenue</b>	<b>52,451</b>	<b>59,567</b>	<b>74,694</b>	<b>86,276</b>	<b>94,622</b>
EBITDA	15,246	12,606	10,399	12,711	16,556
Depreciation	(3,553)	(4,008)	(4,706)	(5,289)	(6,073)
EBIT	12,273	9,137	6,280	8,037	11,126
Net interest inc./(exp.)	(876)	(1,124)	(2,295)	(2,458)	(2,877)
Other inc./(exp.)	580	540	587	615	644
Exceptional items	0	0	0	0	0
EBT	11,397	8,013	3,985	5,579	8,249
Income taxes	(3,786)	915	(1,078)	(1,477)	(2,144)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
<b>Reported net profit</b>	<b>7,611</b>	<b>8,928</b>	<b>2,907</b>	<b>4,102</b>	<b>6,105</b>
Adjustments	0	0	0	0	0
<b>Adjusted net profit</b>	<b>7,611</b>	<b>8,928</b>	<b>2,907</b>	<b>4,102</b>	<b>6,105</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23E	FY24E	FY25E
Accounts payables	3,634	4,892	5,461	6,248	6,630
Other current liabilities	11,227	12,462	13,011	13,011	14,225
Provisions	321	413	380	380	380
Debt funds	31,132	39,300	44,259	45,143	48,303
Other liabilities	10,823	8,240	8,652	9,085	9,539
Equity capital	236	236	236	236	236
Reserves & surplus	56,032	64,323	66,394	69,661	74,930
Shareholders' fund	56,268	65,195	66,631	69,897	75,167
<b>Total liab. and equities</b>	<b>113,404</b>	<b>130,502</b>	<b>138,394</b>	<b>143,765</b>	<b>154,244</b>
Cash and cash eq.	1,419	1,760	1,859	2,525	3,672
Accounts receivables	3,752	3,498	4,502	4,964	5,703
Inventories	5,979	8,333	10,232	11,346	12,703
Other current assets	7,181	7,097	8,832	9,171	9,363
Investments	1,956	1,957	1,993	1,984	1,999
Net fixed assets	68,708	76,809	91,756	103,054	110,574
CWIP	23,701	30,340	18,500	10,000	9,500
Intangible assets	708	707	720	721	731
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
<b>Total assets</b>	<b>113,404</b>	<b>130,501</b>	<b>138,394</b>	<b>143,765</b>	<b>154,244</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23E	FY24E	FY25E
<b>Cash flow from operations</b>	<b>13,878</b>	<b>10,127</b>	<b>4,836</b>	<b>9,631</b>	<b>12,615</b>
Capital expenditures	(17,432)	(17,999)	(8,656)	(9,022)	(13,778)
Change in investments	(122)	(1)	(36)	9	(15)
Other investing cash flows	0	0	0	0	0
<b>Cash flow from investing</b>	<b>(17,554)</b>	<b>(18,000)</b>	<b>(8,692)</b>	<b>(9,013)</b>	<b>(13,793)</b>
Equities issued/Others	0	636	(636)	0	0
Debt raised/repaid	4,679	8,168	4,960	884	3,160
Interest expenses	0	0	0	0	0
Dividends paid	(679)	(665)	(369)	(835)	(835)
Other financing cash flows	180	76	0	0	0
<b>Cash flow from financing</b>	<b>4,181</b>	<b>8,215</b>	<b>3,955</b>	<b>48</b>	<b>2,324</b>
<b>Chg in cash &amp; cash eq.</b>	<b>505</b>	<b>342</b>	<b>99</b>	<b>666</b>	<b>1,146</b>
<b>Closing cash &amp; cash eq.</b>	<b>1,419</b>	<b>1,760</b>	<b>1,859</b>	<b>2,525</b>	<b>3,672</b>

### Per Share

Y/E 31 Mar (Rs)	FY21A	FY22A	FY23E	FY24E	FY25E
Reported EPS	32.3	37.8	12.3	17.4	25.8
Adjusted EPS	32.3	37.8	12.3	17.4	25.8
Dividend per share	3.0	3.0	3.0	3.0	3.0
Book value per share	238.7	276.1	282.0	295.8	318.1

### Valuations Ratios

Y/E 31 Mar (x)	FY21A	FY22A	FY23E	FY24E	FY25E
EV/Sales	3.8	3.5	2.9	2.5	2.3
EV/EBITDA	13.2	16.6	20.6	16.9	13.1
Adjusted P/E	22.6	19.3	59.4	42.1	28.3
P/BV	3.1	2.6	2.6	2.5	2.3

### DuPont Analysis

Y/E 31 Mar (%)	FY21A	FY22A	FY23E	FY24E	FY25E
Tax burden (Net profit/PBT)	66.8	111.4	72.9	73.5	74.0
Interest burden (PBT/EBIT)	92.9	87.7	63.5	69.4	74.1
EBIT margin (EBIT/Revenue)	23.4	15.3	8.4	9.3	11.8
Asset turnover (Rev./Avg TA)	49.1	48.8	55.6	61.2	63.5
Leverage (Avg TA/Avg Equity)	2.0	2.0	2.0	2.1	2.1
Adjusted ROAE	14.4	14.7	4.4	6.0	8.4

### Ratio Analysis

Y/E 31 Mar	FY21A	FY22A	FY23E	FY24E	FY25E
<b>YoY growth (%)</b>					
Revenue	(1.8)	13.6	25.4	15.5	9.7
EBITDA	37.1	(17.3)	(17.5)	22.2	30.2
Adjusted EPS	26.5	17.1	(67.5)	41.1	48.8
<b>Profitability &amp; Return ratios (%)</b>					
EBITDA margin	29.1	21.2	13.9	14.7	17.5
EBIT margin	23.4	15.3	8.4	9.3	11.8
Adjusted profit margin	14.5	15.0	3.9	4.8	6.5
Adjusted ROAE	14.4	14.7	4.4	6.0	8.4
ROCE	13.4	8.7	5.4	6.6	8.7
<b>Working capital days (days)</b>					
Receivables	26	21	22	21	22
Inventory	42	51	50	48	49
Payables	36	38	31	31	31
<b>Ratios (x)</b>					
Gross asset turnover	0.5	0.5	0.5	0.5	0.5
Current ratio	1.2	1.2	1.3	1.4	1.5
Net interest coverage ratio	14.0	8.1	2.7	3.3	3.9
Adjusted debt/equity	0.6	0.6	0.7	0.6	0.6

Source: Company, BOBCAPS Research | Note: TA = Total Assets

NOT FOR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES OF AMERICA ("US") OR IN OR INTO ANY OTHER JURISDICTION IF SUCH AN ACTION IS PROHIBITED BY APPLICABLE LAW.

## Disclaimer

**Recommendation scale: Recommendations and Absolute returns (%) over 12 months**

**BUY** – Expected return >+15%

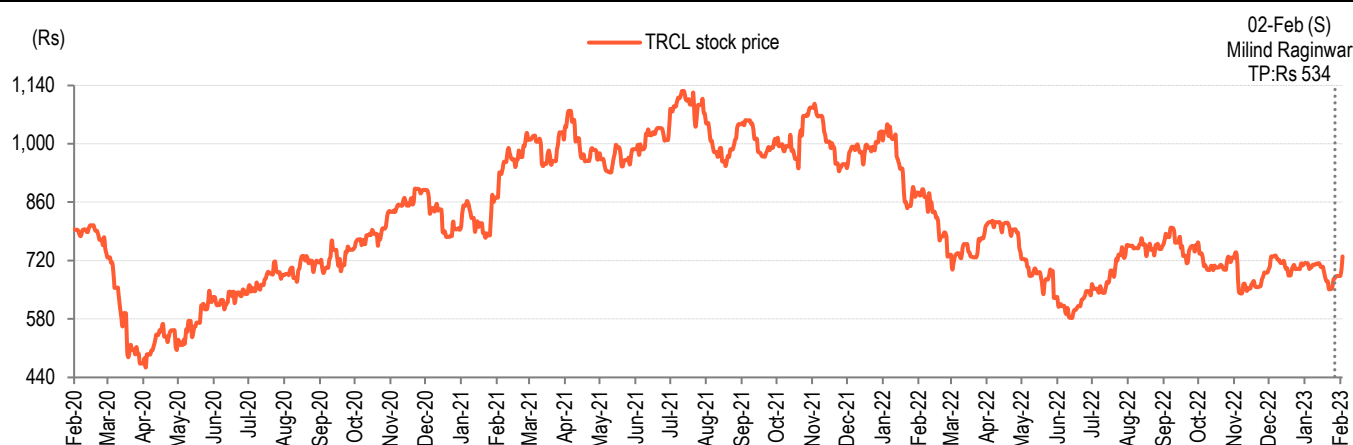
**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

### Ratings and Target Price (3-year history): THE RAMCO CEMENTS (TRCL IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

#### Analyst certification

The research analyst(s) authoring this report hereby certifies that (1) all of the views expressed in this research report accurately reflect his/her personal views about the subject company or companies and its or their securities, and (2) no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of BOB Capital Markets Limited (BOBCAPS).

#### General disclaimers

BOBCAPS is engaged in the business of Stock Broking and Investment Banking. BOBCAPS is a member of the National Stock Exchange of India Limited and BSE Limited and is also a SEBI-registered Category I Merchant Banker. BOBCAPS is a wholly owned subsidiary of Bank of Baroda which has its various subsidiaries engaged in the businesses of stock broking, lending, asset management, life insurance, health insurance and wealth management, among others.

BOBCAPS's activities have neither been suspended nor has it defaulted with any stock exchange authority with whom it has been registered in the last five years. BOBCAPS has not been debarred from doing business by any stock exchange or SEBI or any other authority. No disciplinary action has been taken by any regulatory authority against BOBCAPS affecting its equity research analysis activities.

BOBCAPS has obtained registration as a Research Entity under SEBI (Research Analysts) Regulations, 2014, having registration No.: INH000000040 valid till 03 February 2025. BOBCAPS is also a SEBI-registered intermediary for the broking business having SEBI Single Registration Certificate No.: INZ000159332 dated 20 November 2017. BOBCAPS CIN Number: U65999MH1996GOI098009.

BOBCAPS prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, BOBCAPS prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction. We are not soliciting any action based on this material. It is for the general information of BOBCAPS's clients. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. BOBCAPS research reports follow rules laid down by Securities and Exchange Board of India and individuals employed as research analysts are separate from other employees who are performing sales trading, dealing, corporate finance advisory or any other activity that may affect the independence of its research reports.

The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. BOBCAPS does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment in certain transactions — including those involving futures, options, and other derivatives as well as non-investment-grade securities — that give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavour to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so.



We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have "long" or "short" positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein and may from time to time add to or dispose of any such securities (or investment). We and our affiliates may assume an underwriting commitment in the securities of companies discussed in this document (or in related investments), may sell them to or buy them from customers on a principal basis, and may also perform or seek to perform investment banking or advisory services for or relating to these companies and may also be represented in the supervisory board or any other committee of these companies.

For the purpose of calculating whether BOBCAPS and its affiliates hold, beneficially own, or control, including the right to vote for directors, one per cent or more of the equity shares of the subject company, the holdings of the issuer of the research report is also included.

BOBCAPS and its non-US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non-US issuers, prior to or immediately following its publication. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies, effectively assume currency risk. In addition, options involve risks and are not suitable for all investors. Please ensure that you have read and understood the Risk disclosure document before entering into any derivative transactions.

No part of this material may be (1) copied, photocopied, or duplicated in any form by any means or (2) redistributed without BOBCAPS's prior written consent.

#### **Company-specific disclosures under SEBI (Research Analysts) Regulations, 2014**

The research analyst(s) or his/her relatives do not have any material conflict of interest at the time of publication of this research report.

BOBCAPS or its research analyst(s) or his/her relatives do not have any financial interest in the subject company. BOBCAPS or its research analyst(s) or his/her relatives do not have actual/beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

The research analyst(s) has not received any compensation from the subject company or third party in the past 12 months in connection with research report/activities. Compensation of the research analyst(s) is not based on any specific merchant banking, investment banking or brokerage service transactions.

BOBCAPS or its research analyst(s) is not engaged in any market making activities for the subject company.

The research analyst(s) has not served as an officer, director or employee of the subject company.

BOBCAPS or its associates may have material conflict of interest at the time of publication of this research report.

BOBCAPS's associates may have financial interest in the subject company. BOBCAPS's associates may hold actual / beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS or its associates may have managed or co-managed a public offering of securities for the subject company or may have been mandated by the subject company for any other assignment in the past 12 months.

BOBCAPS may have received compensation from the subject company in the past 12 months. BOBCAPS may from time to time solicit or perform investment banking services for the subject company. BOBCAPS or its associates may have received compensation from the subject company in the past 12 months for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory services in a merger or specific transaction. BOBCAPS or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.

#### **Other disclaimers**

BOBCAPS and MAYBANK (as defined below) make no representation or warranty, express or implied, as to the accuracy or completeness of any information obtained from third parties and expressly disclaim the merchantability, suitability, quality and fitness of this report. The information in this report has not been independently verified, is provided on an "as is" basis, should not be relied on by you in connection with any contract or commitment, and should not be used as a substitute for enquiries, procedures and advice which ought to be undertaken by you. This report also does not constitute an offer or solicitation to buy or sell any securities referred to herein and you should not construe this report as investment advice. All opinions and estimates contained in this report constitute BOBCAPS's judgment as of the date of this report and are subject to change without notice, and there is no obligation on BOBCAPS or MAYBANK to update this report upon issuance. This report and the information contained herein may not be reproduced, redistributed, disseminated or copied by any means without the prior consent of BOBCAPS and MAYBANK.

To the full extent permitted by law neither BOBCAPS, MAYBANK nor any of their respective affiliates, nor any other person, accepts any liability howsoever arising, whether in contract, tort, negligence, strict liability or any other basis, including without limitation, direct or indirect, special, incidental, consequential or punitive damages arising from any use of this report or the information contained herein. By accepting this report, you agree and undertake to fully indemnify and hold harmless BOBCAPS and MAYBANK from and against claims, charges, actions, proceedings, losses, liabilities, damages, expenses and demands (collectively, the "Losses") which BOBCAPS and/or MAYBANK may incur or suffer in any jurisdiction including but not limited to those Losses incurred by BOBCAPS and/or MAYBANK as a result of any proceedings or actions brought against them by any regulators and/or authorities, and which in any case are directly or indirectly occasioned by or result from or are attributable to anything done or omitted in relation to or arising from or in connection with this report.

#### **Distribution into the United Kingdom ("UK"):**

This research report will only be distributed in the United Kingdom, in accordance with the applicable laws and regulations of the UK, by Maybank Securities (London) Ltd ("MSL") who is authorised and regulated by the Financial Conduct Authority ("FCA") in the United Kingdom (MSL and its affiliates are collectively referred to as "**MAYBANK**"). BOBCAPS is not authorized to directly distribute this research report in the UK.

This report has not been prepared by BOBCAPS in accordance with the UK's legal and regulatory requirements.

This research report is for distribution only to, and is solely directed at, selected persons on the basis that those persons: (a) are eligible counterparties and professional clients of MAYBANK as selected by MAYBANK solely at its discretion; (b) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended from time to time (the "Order"), or (c) fall within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc. as mentioned in the stated Article) of the Order; (all such persons together being referred to as "relevant persons").

This research report is directed only at relevant persons and must not be acted on or relied on by any persons who are not relevant persons. Any investment or investment activity to which this material relates is available only to relevant persons and will be engaged in only with relevant persons.

The relevant person as recipient of this research report is not permitted to reproduce, change, remove, pass on, distribute or disseminate the data or make it available to third parties without the written permission of BOBCAPS or MAYBANK. Any decision taken by the relevant person(s) pursuant to the research report shall be solely at their costs and consequences and BOBCAPS and MAYBANK shall not have any liability of whatsoever nature in this regard.

#### **No distribution into the US:**

This report will not be distributed in the US and no US person may rely on this communication.

#### **Other jurisdictions:**

This report has been prepared in accordance with SEBI (Research Analysts) Regulations and not in accordance with local regulatory requirements of any other jurisdiction. In any other jurisdictions, this report is only for distribution (subject to applicable legal or regulatory restrictions) to professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions by Maybank Securities Pte Ltd. (Singapore) and / or by any broker-dealer affiliate or such other affiliate as determined by Malayan Banking Berhad.

If the recipient of this report is not as specified above, then it should not act upon this report and return the same to the sender.

By accepting this report, you agree to be bound by the foregoing limitations.